February 27, 2018

Chairman Chabot
House Small Business Committee
2361 Rayburn House Office Building
Washington, D.C. 20515

Ranking Member Velázquez
House Small Business Committee
2069 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Chabot and Ranking Member Velázquez,

On behalf of America’s Credit Unions, I am writing regarding today’s hearing entitled “How Red Tape Affects Community Banks and Credit Unions: A GAO Report.” The Credit Union National Association (CUNA) represents America’s credit unions and their 110 million members.

Credit union members depend on safe and affordable financial services provided by their credit unions; unfortunately, the regulatory scheme created by the Dodd-Frank Act has made it more difficult and more expensive to provide these services. The current regulatory scheme favors the largest banks and nonbank financial services providers that can afford to absorb regulatory and compliance changes from thousands of pages of new rules and requirements.

A recent study of the current financial impact on credit unions confirms this trend. The study, “2017 Regulatory Burden Financial Impact Study: An Elevated New Normal,” shows that credit union regulatory burden costs have increased to an “elevated new normal,” totaling an estimated $6.1 billion in 2016. Overall, costs are up more than $800 million compared with 2014. That is a 15.1 percent increase, which far exceeds the 2.8 percent inflation rate over the two-year period. In total, the credit union regulatory burden costs for 2016 translate to $115 per credit union household.

Congress is considering legislation that would help address credit unions’ regulatory burden. This legislation, S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act includes a number of the provisions which would provide much needed relief and give credit union members more access to credit. For example, the bill would allow loans held in portfolio by credit unions and other small financial institutions with less than $10 billion in assets to be considered qualified mortgages for the purposes of the CFPB’s Ability-to-Repay rule. This legislation also includes important provisions to address burdens imposed on small credit unions as a result of the qualified mortgage rule and the Home Mortgage Disclosure Act. It also provides important new protections again elder financial abuse. These are all commonsense provisions that will help small financial institutions, like credit unions, manage regulatory burden.

In addition to the regulatory burdens faced by credit unions, recent actions taken by predatory plaintiffs’ firms have also harmed their ability to serve consumers. CUNA’s member credit unions have recently become the subject of a wave of frivolous litigation alleged under the Americans with Disabilities Act and the Telephone Consumer Protection Act.

Credit unions as smaller financial institutions and member-owned not for profit entities, are particularly at risk when lawyers take advantage of a lack of clarity in the marketplace and engage in frivolous litigation. Many credit unions are small businesses with extremely limited staff and resources and they often serve smaller or rural local communities that may otherwise have limited options for financial services. In the United States, nearly half of all credit unions, 2,708 out of approximately 6,000 credit unions, employ five or fewer full time employees. More
than half (3,457) have assets of less than $50 million. Moreover, credit unions with less $20 million in assets account for over 40% of all U.S. credit unions (2,369).

When they are targeted for litigation as a result of unclear guidelines, resources are depleted from the pooled resources of the entire membership. Certain smaller credit unions have considered taking down their entire website or even closing their doors because of these threats. This harms all consumers, who rely on credit unions for safe and affordable products and services.

We appreciate the leadership of the Small Business Committee to highlight the burdens of overregulation and predatory litigation on credit unions and other small businesses. We look forward to working with you on these issues.

On behalf of America’s credit unions and their 110 million members, thank you very much for your consideration of our views.

Sincerely,

Jim Nussle
President & CEO